



February 17, 2015

Mary Nichols, Chairman
California Air Resources Board
1001 I Street, PO Box 2815
Sacramento, CA 95812

Dear Chairman Nichols and Members of the Board:

The Natural Resources Defense Council and BlueGreen Alliance join to thank you and CARB staff for your efforts to improve and readopt the Low Carbon Fuel Standard (LCFS). We remain strong supporters of AB 32 and the LCFS, which is transforming the fuel industry by reducing the carbon intensity of our transportation fuels.

We share in the mission to address today's environmental challenges in ways that can create, maintain and secure quality jobs and a stronger, fairer economy. We are guided by the principle that Californians deserve both environmental sustainability and economic prosperity. We believe the Low Carbon Fuel Standard advances our mission. To that end, we support efforts in the LCFS that establish a cost containment provision and pathways for refinery improvements.

Over the past three years, the Natural Resources Defense Council and the BlueGreen Alliance, have worked together to meet with ARB and provide recommendations to the California Air Resources Board on the Low Carbon Fuel Standard. On July 10th, 2014, the organizations jointly submitted comments to the agency on ways to enhance the standard. In particular, these include recommendations to add a cost containment mechanism and expand the program's flexibility to encourage GHG emission reduction projects that lower carbon pollution, including energy efficiency and combined heat and power, at both petroleum refineries and crude oil production facilities.

We thank ARB for considering the recommendations, developing the concepts further over the past year, and proposing them for adoption. We support the Board moving forward to adopt those provisions.

By providing a maximum compliance cost or "safety valve," ARB's proposed cost containment provision creates more certainty for all parties while preserving the signal to continue to invest in emission reductions. Allowing regulated parties to make up shortfalls through an additional credit clearance period the following year, providing up to an additional five years to make up credits in the event of a true lack of credits, together with a five percent annual interest applied to deficits will enhance

certainty, encourage future compliance with the LCFS, while maintain the environmental benefits of the standard.

We strongly support credits for GHG emission reductions from refinery improvement projects. Credits for refinery improvements represent a significant opportunity to spur additional investment to improve the environmental performance at refineries and create secure refinery jobs, while reducing the carbon intensity of transportation fuels and fostering additional benefits such as reductions in criteria pollution. To that end, we support the Board adopting staff's proposal for crediting refinery improvements and the provisions that ensure these projects are beyond business as usual. These include the requirements that the projects:

- Represent actual capital investments to reduce carbon emissions (as opposed to simply shutting down units) or expand refineries' use of renewable energy
- Create net reductions in carbon intensity
- Be limited to projects undertaken to help comply with the standards that are not business as usual.
- Demonstrate that associated toxic and criteria air pollutants will not lead to net increases or be lower over the life of the project

We also support awarding LCFS credits to producers and project developers that invest to reduce emissions from crude oil production processes. Implementing innovative technologies, such as carbon capture and storage (CCS), solar thermal and other renewable inputs, can create good, secure jobs and reduce carbon intensity of petroleum directly. In light of petroleum's more than 90% share of the transportation fuels market, improvements such as these could have far reaching positive effects.

We believe offering LCFS credits to refineries and producers for these improvements could create significant incentives and make projects that will reduce GHG emissions more attractive while creating, maintaining and securing quality jobs.

Again, we thank ARB staff for their hard work on the LCFS re-adoption and leadership to help address climate change. We look forward to working together on the successful and smooth implementation of the LCFS.

Sincerely,



Simon Mui
Director, California Vehicles and Fuels
Natural Resources Defense Council



JB Tengco
California Director
BlueGreen Alliance